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INFORMATION REPORT

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COUNTRY China/Hong Kong

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SUBJECT China Merchants Steam Navigation
Company Personnel in Hong Kong

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SUPPLEMENT TO
REPORT NO. SO-41898

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1. Some 500 Chinese crew members of CMSNC ships in Hong Kong, ranging from masters to ordinary seamen, are being paid monthly salaries from Peiping.* The total monthly payment, which is made through the Bank of China, amounts to Hong Kong \$500,000, including salaries and the costs of maintenance of the ships. In order to reduce expenses, the Chinese Communist government took advantage of the local shortage of warehouses and rented out some of the vessels as floating warehouses.**
2. Security checks have been completed on all crew members, and they are to be retained by the Communists. While they are idle in Hong Kong, Peiping authorities have requested that the study of Communism and the New Democracy be undertaken for a minimum period of three hours each day. Textbooks are supplied by the Chinese Communist Party (CCP), and weekly and monthly examinations are held. After the completion of the first two basic courses in Communist theory, a third course, including the advanced study of navigation and other technical subjects designed to increase the efficiency of the crews, was to be offered. The study of the Russian language was optional, but some of the crew members had already undertaken it, under teachers from North China and Manchuria.
3. Representatives of the CCP supervise all the training, and make use of trusted members of the crews to control the private lives of the men. Most of the crew members are living aboard their ships, but some are housed ashore at addresses registered with the CCP. Since they have been treated well and have received money regularly, the men do not complain too strenuously about their enforced study. They tend to feel that they have nowhere to turn except to Communism, and some have become convinced of the future success of Communist China.
4. The Hong Kong authorities, disapproving of Communist political indoctrination being carried on within the Colony, began unofficial negotiations for stopping the program on the CMSNC ships, but were overridden by the ~~communists~~ promising attitude of the Communists.

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W. Change in Classification
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CLASSIFICATION CONFIDENTIAL

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5. One outgrowth of the unemployment of these and other Chinese, including thousands of former Nationalist employees who are seeking work with the Communists, has been the draining of foreign currency from mainland China. Although some foreign currency is entering Communist China through Shanghai foreign businessmen who must maintain offices and staffs in China, the necessity of paying Hong Kong defectors is proving a steady drain on the inadequate supplies of foreign exchange possessed by the Chinese Communist government.

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